

Cuba's Persistent Inequalities: An Evaluation Under Rawlsian Theory

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Abstract: The Cuban Revolution of the mid-20th century was purportedly about decreasing relative poverty and relative inequality. However, Cuba's post-revolution wage disparity spiked during its Special Period after the collapse of the Soviet Union in the late 1980s and early 1990s. The organizational structure of the economy designed by the Castro government has been directly responsible for inequality in the country and has distorted Cubans' perception of equity. John Rawls's "justice as fairness" conception and his principles of justice can be useful in analyzing Cuban society.

Introduction

In Cuba's planned economy, taxi drivers make more than doctors. In fact, those working in tourism typically have higher wages than the rest of the Cuban workforce. This is the result of Cuba's policies to curb financial crises, and its recourse to tourism which developed a paradoxical scenario¹. In its attempt to universalize state treatment of all citizens, Cuba's government has inadvertently created a society where citizens experience inequality through Marxist-inspired economic organization.

The Cuban Revolution of the mid-20th century was purportedly about decreasing relative poverty and relative inequality. However, Cuba's post-revolution wage disparity spiked during its Special Period after the collapse of the Soviet Union in the late 1980s and early 1990s.² A number of socio-economic and political issues arose in Cuba following the policies enacted thereafter. The organizational structure of the economy designed by the Castro government has been directly

responsible for conflicts arising from inequality in the country and has distorted Cubans' perception of equity.

John Rawls's "justice as fairness" conception and his principles of justice can be useful in analyzing Cuban society. Rawls argues for proportionality in sharing a society's resources and in organizing society in a fashion whereby conditions are constructed to avoid inequality³. In the unique contexts of Cuba's economic organization post-revolution, Rawls' philosophical thought is useful to determine the ethical implications of government economic policies and consider how Cuba can ameliorate current manifestations of inequality.

Understanding Cuban Economics

The dynamics of Cuban economics shifted drastically in the aftermath of the Soviet Union's dissolution. Prior to the collapse of the Soviet Union, Cuba received millions of dollars annually to develop its military and social programs. However, this was only a small measure of the financial benefits to the Cuban economy which relations with the Soviet Union generated. In 1960, Cuba was presented a \$100 million credit at a favorably low interest rate of 2.5% from the USSR and entered an agreement to purchase Soviet oil below market value⁴. Cuba capitalized on low oil prices to buy in surplus and then resold oil to other countries at market prices. The backing of the Soviet Union guaranteed Cuba a kind of economic stability and its government felt Cuba did not need to pursue typical economic growth schemes. An illustration of this lackadaisical approach to economic policy is the practice of monoculture with Cuba's sugar industry. Until relatively recently, Cuba never sought to diversify its economy and instead relied heavily on sugar production. For decades Cuba was the world leader in sugar exports, a fact that did not change with the U.S. slashing sugar quotas⁵.

With the combination of Soviet trade, subventions, easy access to credit, and a highly productive sugar industry, the durability of the Cuban economy seemed intact. When the Soviet Union collapsed, as if on cue, Cuba was plagued with power cuts, medicine supply shortages, a rapidly developed black market and a plethora of other factors that rendered the country unstable. In 1993, Cuba's problems peaked as the GDP dropped to -14.9 and Cubans lost faith in the government's ability to not only recover the economy but to sustain the social purpose economic model of the Marxist Castro administration. Fidel Castro intended to maintain egalitarian access to goods and services and avoid spikes in inequality. The policies enacted in the 1990s did not achieve his goal as they increased inequality between urban and rural citizens, and between workers in

different employment sectors. They also conferred unto tourists exclusive privileges most Cubans did not have access to.

Price controls, subsidies, food rationing, and stunted government wages were already denotative of Cuba's planned economy. But along with intensified repression of consumption, these techniques were distinctly affected by Cuba's troubles in the 90s. High-cost goods were often obtained by the ruling groups through extra-economic, in-kind political means, rather than through the expenditure of monetary income. The alteration of Cuba's Gini coefficient between 1980 and 2000 from 0.24 to 0.38 further shows the change in situation within the country⁶. This shift was in part the result of "Tourism Apartheid" and tourism appeal efforts in Cuba. While it most generally refers to Cubans being denied access to tourist facilities and accused of harassment if they were seen with tourists, Tourism Apartheid had deeper dimensions.

Cuba instituted a system of using multiple currencies that remains today: a Cuban peso for use only by Cubans and earned through government wages, a convertible peso tied to the U.S. dollar to be used primarily by tourists and a general acceptance of the U.S. dollar⁷. Those working in tourism had more opportunities to obtain convertible pesos and U.S. currency through tips and wages provided by tourist businesses (most of which were joint ventures by the Cuban government and foreign companies)⁸. This accounts for the rise in inequality. Taxi drivers began making more than doctors, waiters more than lawyers. Castro's government defended the new appeal to tourists and endorsements of hundreds of foreign-owned businesses by referring to the economic crisis Cuba was facing. Cuba desperately needed to rebuild its foreign reserves to have continued access to world markets. The hardline anti-Capitalist sentiments seemed to have subsided, at least in part to support foreign direct investment, legalized U.S. dollar use and remittances from emigres⁹.

The profitability of remittances and use of the U.S. dollar in tourism was understood well enough by the Cuban government. It had only legalized remittances during its Special Period of economic contraction in the early 90s and required that they be carried out through U.S. currency (a policy that has been since rescinded). A conversion tax was immediately applied to USD- Cuban peso remittances and a tax on U.S. dollar use in the country was later enacted in 2004¹⁰. While Cuba did not mean to forfeit socio-economic equality for macroeconomic sustenance, that was inevitably the unintended consequence.

When mass migration from the island occurred after the revolution and in the 1980s, the majority of those who fled were educated White Cubans who were

then able to obtain jobs where they could afford to consistently send remittances back to their relatives when it was legalized. As the economy began opening and allowing greater self-employment, these remittance recipients opened private businesses and have been able to experience social and economic mobility¹¹. During the Obama administration, the amount Cuban-Americans could send home was increased, furthering disparities between Cubans who had access to seed financing and those who did not; between Whites, Blacks, and mixed-raced Cubans.

As a side note, the same Cubans that fled to the U.S. (and this applies to those that continue to come) eventually became legal U.S. citizens and were able to file for family members to obtain the same status. So, some Cubans are being lifted out of the conflated disproportionality in Cuba while others are virtually stuck. Today there are over two million Cubans in the U.S. Foreign-born Cubans make \$5,000 less than the median annual personal earnings of the U.S., have lower educational attainment levels, 25% do not have health insurance, and 20% percent live in poverty¹². This just goes to show the effects made on the Cuban diaspora.

Recognizing the Impact of the United States in the 21st Century

Beyond influencing the culture of remittances and start-ups in Cuba, the United States had much more to do with the current state of Cuban economics and Cuban society. The embargo on Cuba affected access to trade, international credit, and foreign investment in Cuba not only from the U.S., but globally as fear of a U.S. backlash from associating with Cuba persisted. The Obama administration presented for Cuba an opportunity to restore diplomatic relations without completely surrendering to strict demands¹³. This meant that the Cuban government would potentially be able to re-establish better control over its economy which it had lost for years. Cuba knew it would have to make some reforms to be taken seriously by the U.S., so leading up to the restoration of formal ties with the U.S. it did exactly that.

During Obama's first term, Cuba worked at creating a mixed economy, planning a consistent 5 percent growth rate and \$4 billion in yearly foreign direct investment¹⁴. The plan involved allowing higher numbers of private businesses, redistributing unused land to promote agricultural activity, updating tax codes to increase government revenue, legalizing sale of property, and expanding the categories of foreign investment. These aspects of Cuba's attempt at reform were received well internationally but massive layoffs of state workers within a couple years went under-noticed. Some of these workers started their own businesses

using remittance money or their own personal savings but others have been dependent on government rations and live in forlorn poverty.

The layoffs added to the growing inequality that Cubans were becoming accustomed to, especially as more light was being shed on the Cuban military conglomerate, GAESA (Armed Forces Business Enterprises Group). GAESA was shown to control around 60 percent of the Cuban economy, having dozens of enterprises in critical sectors like tourism, real estate, and agriculture¹⁵. It was naturally assumed that anyone associated with GAESA would fair better than the average Cuban. This view makes sense given that the Castros tend to keep control of the country tightly monitored and appoint family or those with whom they have a strong rapport. For example, Raul Castro's son in law is the chairman of GAESA and considered one of the richest persons in the country. The concentration of power upheld by the Castros implies a kind of state-sponsored wealth disparity among the abundance of ways their approaches have promoted inequality.

The diplomatic easing of the Cuban embargo in Obama's second term augmented all the changes undertaken by the Cuban government with some additions. Both sides rolled back travel restrictions, Americans were able to travel to Cuba more easily, and Cubans to leave the island for personal reasons and pursuit of studies. Critics argued that previous restrictions on the U.S. side did not do much to support their claim of wanting to improve democracy and social liberties in Cuba, as they isolated Cubans from American political and social habits¹⁶. A huge spike in tourism occurred after the normalization of relations between Cuba and the U.S. "American visits rose 77 percent [between 2014 and 2015] to 161,000, not counting hundreds of thousands of Cuban-Americans"¹⁷. Tourism workers benefited from this spike and the unbalancing of wages enlarged. Cubans taking advantage of the new travel opportunities are those better off. For the ones who pursue international education, their prospects already fair better than the average Cuban.

Donald Trump's election was supposed to usher in a reversal of everything that had been done under President Obama. The rhetoric by the Trump administration suggested more than a simple reversing of previous policies, but a dismantling of any progress made with the Cuban government. Instead, two things occurred: a minor change to legal travel from America to Cuba, and impositions on doing business in Cuba¹⁸. Before Trump, Americans were allowed to travel to the island under a number of specific categories. One category permitting individual education trips was revoked. This category was no doubt one of the more popular brackets and the new policy definitely reduces the number of American tourists in

Cuba relative to previous annual numbers. The goal of this first approach was not to just restrict travel, but to strike a huge blow to the growing tourism sector in Cuba and to deny Cuba much needed U.S. currency.

The second mandate was much more specific in who it targeted. It banned U.S. companies from doing business with enterprises associated with GAESA. As mentioned, GAESA dominates control of the Cuban economy. This public-perception oriented mandate tried to shift the perceived attitude of Trump's administration toward Cuba from targeting the Cuban people to targeting its elite. But because of GAESA's power in Cuba, any targeting of the military conglomerate indirectly affects the Cuban people generally. The U.S. under Trump's presidency expects Cuba to follow up with concessions and give into the vague demands spouted by President Trump and his supporters. It is incredibly unclear what will happen in the midst of the current standoff between the Trump administration and the Cuban government.

Analyzing Cuban Inequality Through Rawls

Renowned political philosopher John Rawls is most recognized for his 1971 book, *A Theory of Justice*, in which he lays out several conceptions on justice in society. For example, he theorized if individuals were behind a Veil of Ignorance, knowing no specifics about how a society would function or their place in that society, they would choose equality. They would choose to create a society with balanced access to certain liberties and resources because of the ignorance individuals would have about their potential place in that society¹⁹. Rawls contends that it logically follows any society should be organized around equality and, even better, founded on equity. His Difference Principle encompasses the latter. It states that (1) inequalities should be flattened out so that the least advantaged person can enjoy social and economic fortunes and (2) that political offices should be open to all to promote an equality of opportunities.

These ideas theoretically align with the precepts of Socialism and it would make sense that the ideal Socialist society would operate similarly. However, Cuba's post-revolution reorganization of society did not evolve into the utopia leaders had hoped for. Dependency on the Soviet Union brought on by U.S. isolation placed them in a critical position from the start of the society's transformation. The elite had the opportunity of leaving, foreseeing the troubled times ahead. The Cuban diaspora even today faces challenges in meeting up with American levels of education and income.

Then, in the 1990s, the Special Period sparked the ripening of inequalities in employment and income, tourism, and geography. The fact that taxi drivers began making more than workers in more skill intensive fields shows the Cuban government was failing to encourage education. This also suggests the government does not acknowledge the value in higher skills because of the way it perceives equality. Cubans were treated as lesser than tourists and practically distanced from them. Castro even wanted to use access to tourist facilities as reward for good work. The Cuban countryside was much worse off than urban areas, with malnutrition sprouting.

As remittances began to flow into the country, private businesses allowed for uplift for some Cubans, noticeably along racial lines. The lack of affirmative action policies makes it even harder for specific groups to experience significant improvements to their conditions. Concentration of power between Castro's restrictive circle and GAESA secures a state of stagnancy and keeps political reform out of reach. Up to this point the Cuban government has maintained that significant layoffs, cutbacks in rations, and the organization of politics and the economy have been such because resources are lacking, and the country has been consistently experiencing economic troubles. Rawls would possibly agree to an extent as he acknowledges that sacrifices are necessary in tough times.

Within the scope of the Differences Principle of Rawls, Cuba seemingly designed its own path to the inequality now experienced by not addressing the needs of the lowest members of society and retaining a concentration of power. Instead of making necessary changes along the way, the government was firm in its stance to maintain Marxism. Cuba was in many ways starting over after the revolution occurred. This meant that the government had the mandate to forge self-determination as they did not know how society would progressively function. While a Veil of Ignorance did not exist, the span of the Castro regime gave them continuous opportunities to break down the barriers of inequality for all citizens. Rawls might argue that a society cannot be expected to reach full universal equality overnight, but it is the duty of leaders to unceasingly work at achieving it.

Rather, Cuba struggled to even survive economically and could not progress in Rawlsian fashion, failing to satisfy those two aspects of the Difference Principle. The government's perception of equality was distorted from the beginning and political and economic isolation made things worse. The elitism and favoritism that the Castro regime loathed developed in the form of Castro's inner circle and GAESA. The racial inequality that Castro condemned the U.S. for is now rampant in Cuba.

But there are a number of steps the Cuban government can take to make Cuban society more equitable and rectify mistakes of the past.

Reducing Inequality: Prospects for Cuba

The first step in reducing inequality would be for Cubans to shed attachment to viewing the Cuban Revolution in a positive light and thinking that the current state of Cuban Socialism is better than alternatives²⁰. This would mean for the government to continue to endorse capitalistic activities and even up the ante by allowing for greater legal private holdings. More entrepreneurial ventures and investments could be made with more currency in circulation. But while capitalism begins to grow, the government could initiate redistributive methods to check growing inequality. The only viable way of sustaining social programs in Cuba is to create a kind of “multi actor socialism” where the state supports complementary activities²¹. More foreign investment, micro financing of small businesses for the most economically challenged, allowing merging of cooperatives, increasing sectioned management of localities, and changing how vulnerable groups get access to social and economic resources would all be helpful in decreasing inequality in the country.

Rawls’ Differences of Principles takes into consideration perception of justice and equality. It encourages the *enjoyment* of economic fortunes and freedom in the political process. In Cuba, there is only the illusion of equality and the image of a government desperately trying to hold its economy together. More recently, Cuba has begun to take some important steps, but it still has a long way to go before it achieves Rawlsian equality.

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